

**City of Winthrop**  
**Independent Accountant's Examination Report**  
**For the Period**  
**July 1, 2012 through June 30, 2013**

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## City of Winthrop

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gerald W. Dennie	Mayor	Jan 2017
Francis Goedken	Council Member	Jan 2014
Jason Donlea	Council Member	Jan 2014
Ann Myers	Council Member	Jan 2016
Leland Sprague	Council Member	Jan 2016
Lee White	Council Member	Jan 2016
Mary Ryan	City Clerk	Indefinite
James Peters	City Attorney	Indefinite

James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.  
Jeremy P. Lockard, C.P.A.

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Independent Accountant's Examination Report

To the Honorable Mayor  
and Members of City Council:

We have performed an examination of the City of Winthrop pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Winthrop for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6), and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Winthrop, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Winthrop, additional matters might have come to our attention that would have been reported to you.

The report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Winthrop and other parties to whom the City of Winthrop may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Winthrop during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

January 10, 2014

## **Detailed Recommendations**



City of Winthrop

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

(A13) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparation and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

(B13) Payroll Transactions – We noted an instance where the net pay on a payroll stub did not foot with the gross pay reduced by applicable deductions. It was also noted for this same payroll transaction that the IPERS deduction and net pay amounts as listed on the payroll stub did not agree to the amounts recorded on the payroll report.

Recommendation – We recommend the City implement payroll review procedures to ensure payroll transactions are accurately calculated and recorded.

(C13) Bank Reconciliation – We noted instances where the outstanding check listing attached to the monthly bank reconciliation did not list all checks as individual line items. Certain checks were aggregated into one listed amount. It was also noted that the outstanding check listing does not show the date each check was written.

Recommendation – We recommend the City list all checks individually on the outstanding check list and include the date written to provide better information in support of the monthly bank reconciliation.

City of Winthrop

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (D13) Outstanding Checks – We determined via inquiry that the City voided four outstanding checks which had been carried on the outstanding check list in excess of 12 months. The checks were recorded as a miscellaneous income to the City.

Recommendation – We recommend the City report this type of unclaimed property to the State Treasurer on an annual basis per Chapter 556.11 of the Code of Iowa.

- (E13) Official Depositories – The maximum deposit amounts stated in the depository resolution approved by the City were exceeded during the year ended June 30, 2013.

Recommendation – The City should monitor balances in their financial institutions so as to not exceed Depository Resolution amounts. The City should consider amending its Depository Resolution when necessary.

- (F13) Council Minutes – Council minutes published do not contain a summary of receipts. We also noted instances where total disbursements by fund were not published with the minutes, and the minutes were not published within fifteen days.

Recommendation – The minutes of the City Council are required to be published within fifteen days of the meeting. Per Chapter 372.13(6) of the Code of Iowa the published minutes should also include total disbursements by fund and a summary of all receipts.

- (G13) Credit Card Policy – The City has several credit card accounts but does not have a written policy regulating usage by City personnel.

Recommendation – We recommend the City approve a written policy outlining proper and allowable use of City credit cards.



Staff

This examination was performed by:

Jeremy P. Lockard, CPA, Manager  
James Remington, Staff Auditor